

Message Text

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41

ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00

ACDA-07 PA-01 PRS-01 /114 W
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R 201109Z NOV 76

FM USINT BAGHDAD

TO SECSTATE WASHDC 3842

INFO AMEMBASSY ABU DHABI

AMEMBASSY AMMAN

AMEMBASSY BEIRUT

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY MOSCOW

AMEMBASSY MUSCAT

AMEMBASSY TEHRAN

AMEMBASSY TEL AVIV

C O N F I D E N T I A L BAGHDAD 1732

E.O. 11652: GDS

TAGS: PFOR ENRG IZ

SUBJECT: OIL MINISTER INTERVIEW WITH REUTERS

1. BAGHDAD OBSERVER ON NOVEMBER 16 PUBLISHED EXCERPTS
OF OIL MINISTER KARIM'S INTERVIEW WITH REUTERS. IN
INTERVIEW KARIM CALLED FOR AN INCREASE OF AT LEAST 25
PERCENT IN THE PRICE OF CRUDE OIL AT THE DECEMBER
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OPEC MEETING. HE LINKED INCREASE TO "WORLD INFLATION"

WHICH HE SAID WAS TAKING PLACE THIS YEAR AT A RATE OF 28 PERCENT.

2. KARIM ALSO SAID THAT IRAQ'S DECISION TO STOP PUMPING OIL THROUGH THE SYRIAN PIPELINE WAS BASED ON BOTH ECONOMIC AND POLITICAL REASONS, AND THAT NO RESUMPTION COULD BE EXPECTED UNTIL THE REGIME IN DAMASCUS CHANGED ITS HOSTILE ATTITUDE TOWARDS IRAQ. THE IRAQI ACTION, HE SAID, STRUCK A HEAVY BLOW AT THE SYRIAN ECONOMY WHICH HAD BENEFITTED FROM THE PREFERENTIAL RATES WHICH SYRIA WAS CHARGED FOR THE OIL IT DREW FROM THE PIPELINE.

3. ACCORDING TO KARIM, IRAQ COULD NOT AFFORD TO CONTINUE PUMPING ON THE OLD TERMS. THE PREFERENTIAL RATES FOR SYRIA AND LEBANON REPRESENTED A LOSS OF ABOUT \$259 MILLION PER YEAR TO IRAQ. IRAQ ALSO OBJECTED TO SYRIA'S ATTEMPT TO INCREASE THE TRANSIT TAX FROM 24 CENTS TO 42 CENTS. IRAQ WOULD PREFER, HE SAID, TO CHARGE A STANDARD RATE FOR ITS CRUDE AND COMPENSATE SYRIA AND LEBANON IN OTHER WAYS IF THIS CONSIDERED DESIRABLE.

4. THERE WERE, HOWEVER, POLITICAL FACTORS ALSO TO BE CONSIDERED BEFORE IRAQ WOULD BE READY TO NEGOTIATE A NEW AGREEMENT--SUCH AS THE SYRIAN REGIME'S ROLE IN LEBANON AND THE HOSTILE ATTITUDE OF THE DAMASCUS RULERS ON THE EUPHRATES WATER QUESTION.

5. THE SUSPENSION OF PUMPING DID NOT HURT THE IRAQI ECONOMY THANKS TO THE PIPELINE THAT PERMITS IRAQ TO EXPORT OIL FROM THE NORTHERN FIELDS THROUGH THE GULF PORTS. IN ADDITION, THE NEW PIPELINE THROUGH TURKEY TO THE TERMINAL AT DORTYOL NEAR ADANA WILL BE COMPLETED NEXT YEAR AND WOULD INITIALLY TRANSPORT 25 MILLION TONS OF OIL ANNUALLY OF WHICH TURKEY WOULD BUY APPROXIMATELY 14 MILLION TONS.

6. COMMENT: WHEN PRINCIPAL OFFICER MENTIONED PRESS REPORT TO FONMIN DG FOR ECONOMIC AFFAIRS, HE HAD NOT READ ARTICLE AND SEEMED SURPRISED THAT MINISTER OF OIL

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HAD USED FIGURE OF 25 PLUS PERCENT. IT IS QUITE POSSIBLE THAT MINISTER'S STATEMENT WAS PRIMARILY FOR PUBLIC CONSUMPTION, WHILE IRAQI REPS AT OPEC MEETING WILL CALL FOR MORE LIMITED INCREASE.
WILEY

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